

BEFORE THE  
UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Periodic Reporting  
(Proposal Five)

Docket No. RM2015-13

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE  
TO ORDER NO. 2599 CONCERNING RULEMAKING ON  
ANALYTICAL PRINCIPLES USED IN PERIODIC REPORTING  
(PROPOSAL FIVE)

September 17, 2015

I. INTRODUCTION

The Public Representative hereby files Comments pursuant to the Commission's Notice of July 20, 2015 in this docket of the Postal Service's proposal for rulemaking of analytical principles used in periodic reporting.<sup>1</sup>

In the Fiscal Year 2014 Annual Compliance Determination (FY 2014 ACD), the Commission directed the Postal Service to report within 90 days on the feasibility of developing attributable costs for the International Money Transfer Service (IMTS) - Outbound and Inbound products based upon alternatives to the In-Office Cost System (IOCS).<sup>2</sup> On June 30, 2015, the Postal Service filed its response to this directive.<sup>3</sup> The Postal Service proposes to use data reported by the Federal Reserve Bank (FRB) to estimate the transaction volume for the IMTS – Inbound product. Response at 3. The Postal Service also proposes to use the inbound transaction volume in a new

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<sup>1</sup> Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Five), July 20, 2015, Order No. 2599 (Notice).

<sup>2</sup> Docket No. ACR2014, Fiscal Year 2014 Annual Compliance Determination Report, March 27, 2015, at 76 (FY 2014 ACD).

<sup>3</sup> Docket No. ACR2014, Responses of the United States Postal Service to Commission Requests for Additional Information Regarding IMTS and EPG in the FY 2014 Annual Compliance Determination, June 30, 2015 (Response).

methodology to develop attributable costs for the IMTS – Outbound and Inbound products as an alternative to using IOCS statistical data. *Id.* at 5.

The Commission establishes the instant docket to initiate an informal rulemaking proceeding to consider the proposed changes to the IMTS - Outbound and Inbound products, labeled as Proposal Five.

To clarify the Postal Service's proposal, the Chairman issued one information request.<sup>4</sup> The Postal Service responded to the information request on September 14, 2015.<sup>5</sup>

## II. BACKGROUND

The Postal Service's proposal was filed in response to the Fiscal Year 2014 Annual Compliance Determination, which directed the Postal Service to report within 90 days on the feasibility of developing attributable costs for the International Money Transfer Service (IMTS) - Outbound and Inbound products based upon alternatives to the In-Office Cost System (IOCS).<sup>6</sup>

Currently, estimates of total attributable costs for the combined IMTS – Outbound and Inbound products are distributed between the products based on IOCS tallies.<sup>7</sup> The Postal Service explains that it is difficult to obtain a sufficient number of IOCS tallies to reliably estimate attributable costs for the IMTS – Outbound and Inbound products because IMTS products are small products. As a result, the attributable unit cost estimates for IMTS - Outbound are relatively volatile year-to-year and in most years, the Postal Service has been unable to develop attributable costs for IMTS – Inbound product because of an absence of IOCS tallies. Response at 4. Moreover, the Postal

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<sup>4</sup> Chairman's Information Request No. 1, August 14, 2015 (CHIR No. 1).

<sup>5</sup> Response of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 1, September 14, 2015 (Response to CHIR No. 1).

<sup>6</sup> Docket No. ACR2014, Fiscal Year 2014 Annual Compliance Determination Report, March 27, 2015, at 76 (FY 2014 ACD).

<sup>7</sup> See Docket No. RM2011-5, Order No. 724, Order Concerning Analytical Principles for Periodic Reporting (Proposals Ten through Twelve, May 4, 2011, at 6-8.

Service has been unable to estimate such transaction volumes through special studies or the use of data from postal retail systems because neither POS nor any other retail system tracks cashed foreign-origin money orders. *Id* at 2-3.

The Postal Service seeks to estimate the transaction volume for the IMTS – Inbound product for the first time on an annual basis using data available from the Federal Reserve Bank (FRB) on the number of foreign-origin money orders cashed by the Postal Service. Response at 3. The Postal Service proposes a new methodology to develop the attributable costs of the IMTS – Outbound and Inbound products using the Federal Reserve Bank data. *Id* at 5.

Under the new methodology, the Postal Service proposes to use an estimate of retail window service time for electronic wire transfer transactions to develop an electronic window service cost per transaction. *Id* at 5. When multiplied by the number of electronic transfer transactions, the resulting total electronic window service costs is then subtracted from the total attributable costs for the combined IMTS products, with the remainder apportioned between transactions for outbound paper money orders and foreign-origin money orders cashed by the Postal Service based on transaction volume. *Id*. The Postal Service states that the FRB report’s “volume estimate is admittedly rough in that it represents the volume of foreign-origin money orders for which settlement of commissions took place in a given year, not necessarily the number that the Postal Service actually cashed in that same year.” The Postal Service is proposing to utilize the reported number of foreign origin money orders on which the commissions have been settled as the source of the inbound money orders volume. *Id* at 3.

### III. COMMENTS

The Public Representative recommends Commission approval of Proposal Five with an adjustment to the IMTS – Inbound volume used in the Postal Service’s proposed methodology. In the Response to CHIR No. 1, questions 1(a) and 2(a), the Postal Service states that “no breakout between those two types of cashing location is available, because the FRB report does not distinguish between the two types” and “the

amounts reported from the FRB report include the sum of all money orders cashed at Postal Service retail windows and U.S. banks.” The Postal Service maintains that the number of money orders issued by foreign postal operators cashed by other financial institutions and included in the FRB report for FY 2014 is “unknown.”

Although the FRB report does not distinguish between the cashing locations of foreign-origin money order, the Postal Service can use its accounting data to make the distinction. The Postal Service can further distinguish between the transaction volumes for IMTS – Inbound product cashed at the Postal Service retail windows from the countries with which there is no commission and those with which there is a commission. In the Response to CHIR No. 1, question 3, the spreadsheet presented by the Postal Service can be used to calculate the total number of foreign-origin money orders cashed at the Postal Service retail windows, the number of foreign-origin money orders cashed at the Postal Service retail windows for which there is a commission paid, and the number of foreign-origin money orders cashed at the Postal Service retail windows for which there is no commission paid. Given these three figures and the FRB report’s total number of foreign-origin money orders, the number of money orders issued by foreign postal operators cashed by other financial institutions can be calculated.

To ensure a more accurate measure of attributable costs for IMTS – Inbound product, the Postal Service should estimate unit costs taking into account all foreign-origin money orders cashed at retail windows, including those from countries that do not pay a commission. Excluding the money orders from countries that do not pay a commission would be an inaccurate measure of actual postal activity for the IMTS – Inbound product.

#### IV. CONCLUSION

The Public Representative respectfully submits the foregoing Comments for the Commission’s consideration.

Respectfully submitted,

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